



WATERVLIET TOWNSHIP  
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>WATERVLIET TOWNSHIP</b>	County <b>BERRIEN</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/15/05</b>	Date Accountant Report Submitted to State: <b>June 27, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>GERBEL &amp; COMPANY, P.C. CPA'S</b>			
Street Address <b>830 PLEASANT STREET, P.O. BOX 44</b>	City <b>ST. JOSEPH</b>	State <b>MI</b>	ZIP <b>49085</b>
Accountant Signature <i>Robert E. Gerbel CPA</i>		Date <b>6-27-05</b>	

**WATERVLIET TOWNSHIP  
BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**March 31, 2005**

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**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

**Financial Highlights**

The Township's combined net assets increased \$124,341 from a year ago-increasing from \$7,969,732 to \$8,094,073. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$265,395 during the year, while the business-type activities experienced a decrease in net assets of \$141,054.

**Overview of the Financial Statements**

This report consists of four parts---- *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that *presents combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts of* the Township government, reporting the Township's operations in more detail than the government-wide statements.

*The governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending. *Proprietary fund statements* offer short- and long-term financial information about the activities the government operates *like businesses*, such as the sewer system. *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain.

The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Watervliet Township's Government - Wide and Fund Financial Statements

Fund Statements

	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government(except fiduciary funds) and the Township's Component units	The activities of the Township that are not proprietary or fiduciary, such as, police ambulance, building, fire, and general operations.	Activities the Township operates similar to private businesses; the sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	>Statement of net assets. >Statement of activities.	>Balance Sheet >Statement of Revenues expenditures, and changes in fund balances.	>Statement of net assets >Statements of revenues, expenditures, and changes in net assets >Statement of cash flows	>Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and Measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of assets/liability information	All assets and liabilities, both financial and capital and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Overtime, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into two categories:

- \* Governmental activities-Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- \* Business-type activities-The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds-not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building) or to show that it is properly using certain taxes and grants (i.e. ambulance monies). The following summarizes the Townships Special Millages:

Millages:

Ambulance	0.34600 voted	collected in 2004 - 0.34600
Roads	2.00000 voted	collected in 2004 - 2.00000
Roads	1.00000 voted	collected in 2004 - 0.98030
Fire Protection	1.00000 voted	collected in 2004 - 0.98030
Police Protection	1.50000 voted	collected in 2004 - 1.500000

The Township has the following three kinds of funds:

*\*Government Funds*-Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are included in the basic financial statements that explain the relationship (or differences) between them.

*\*Proprietary Funds*-Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise fund (a type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

*\*Fiduciary Funds*-The Township is the trustee, or fiduciary, for property tax collections and trailer fees. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's governments-wide financial statements because the Township cannot use these assets to finance its operations.

### **Financial Analysis Of The Township As A Whole**

The Township's combined net assets were \$8,094,073. In a condensed format the following table below shows a breakdown of the net assets:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Current assets	\$ 2,576,491	\$ 640,545	\$ 3,217,036
Capital assets	<u>856,237</u>	<u>4,477,024</u>	<u>5,333,261</u>
Total Assets	<u>\$ 3,432,728</u>	<u>\$ 5,117,569</u>	<u>\$ 8,550,297</u>
Long-term debt outstanding	\$ 381,100	\$ -	\$ 381,100
Other liabilities	<u>41,639</u>	<u>33,485</u>	<u>75,124</u>
Total Liabilities	<u>\$ 422,739</u>	<u>\$ 33,485</u>	<u>\$ 456,224</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 756,537	\$ 4,477,024	\$ 5,233,561
Restricted	54,996	-	54,996
Unrestricted	<u>2,198,456</u>	<u>607,060</u>	<u>2,805,516</u>
Total Net Assets	<u>\$ 3,009,989</u>	<u>\$ 5,084,084</u>	<u>\$ 8,094,073</u>



**Watervliet Township****Management's Discussion And Analysis**

The following table shows the changes of the net assets as of the current date.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Program Revenues:			
Charges for services	\$ 158,899	\$ 311,799	\$ 470,698
Operating grants and contributions	2,328	-	2,328
General Revenues:			
Property taxes	596,756	-	596,756
State shared revenues	243,541	-	243,541
Interest and rentals	50,307	5,811	56,118
Miscellaneous	15,707	-	15,707
<b>Total Revenues</b>	<b>\$ 1,067,538</b>	<b>\$ 317,610</b>	<b>\$ 1,385,148</b>
Legislative Expenses	\$ 7,502	\$ -	\$ 7,502
General government	316,029	-	316,029
Public safety	272,704	-	272,704
Public works	125,619	-	125,619
Recreation and culture	8,770	-	8,770
Interest on long-term debt	20,185	-	20,185
Depreciation	20,919	-	20,919
Sewer	-	458,664	458,664
Community and economic development	30,415	-	30,415
<b>Total Expenses</b>	<b>\$ 802,143</b>	<b>\$ 458,664</b>	<b>\$ 1,260,807</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ 265,395</b>	<b>\$ (141,054)</b>	<b>\$ 124,341</b>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$124,341.

**Governmental Activities**

Total net assets for the governmental activities increased \$265,395 to \$3,009,989.

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, amounted to \$2,198,456 or 73% of total governmental activities net assets.

Net assets invested in capital assets, net of related debt amounted to \$756,537 or 25% of the total governmental activities net assets. The remaining net assets of \$54,996 are restricted for maintenance and upkeep of the cemetery once the Township's General Cemetery Fund has been depleted and is no longer able to produce revenue to support its operation.

**Business-Type Activities**

The Township's business-type activities consist of the Sewer Fund. Total net assets for the business-type activities decreased by \$141,054 resulting in net assets of \$5,084,084. \$4,477,024 or 88% is invested in capital assets and therefore is not available for future spending. The amount of business-type net assets available to finance day-to-day operations is \$607,060.

**The Township's Funds**

The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for March 31, 2005 included the General Fund, Police Fund, Road Maintenance Fund, Fire Protection Millage Fund, and Improvement Fund.

**General Fund:**

Revenue for the 2005 and 2004 prior years shows no drastic change. Expenditures however, for 2005, were considerably more than in 2004. The reason is the lawsuit with the Paw Paw Lake Association regarding Nature's Cove Subdivision. This led to increased expenditures for Professional Services and Lawyer's Fees.

**Road Maintenance Fund:**

The Township shows a large amount of fund balance in the Road Maintenance Fund (218) because in the 2004-2005 fiscal year there was little or no roadwork done due to reorganization of the Berrien County Road Department. The roads that were scheduled for the 2004-2005 fiscal year were rescheduled for the new 2005-2006 fiscal year and most of the fund balance will be used.

**Improvement Fund:**

The deficit in the improvement should be rectified this year. Along with the interest on the CD portion of the improvement fund, the loan payments from the old hall, and the fact that the sale of the old Township Hall will balloon in 2005, should make it possible to bring the Improvement Fund into the black .

**The Sewer Fund:**

The Sewer fund, due to repairs and maintenance of older sewer lines and equipment, ran a deficit in the 2004/2005 fiscal year as it has in the previous fiscal years. It is expected that this will not change for the upcoming fiscal year.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board did not amend the budget to take into account events during the year. Actual revenues were in excess of budget by \$29,774, while expenditures were under budget by \$18,407.

**Capital Asset and Debt Administration**

At the end of March 31, 2005, the Township had investment in capital assets for its governmental and business-type activities of \$5,233,561 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets at March 31, 2005 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**Long-Term Debt**

At the end of the current fiscal year, the Township had total debt outstanding of \$404,700.

Fire Station Addition - \$305,000 Matures September 1, 2015

In 2001 the Watervliet Joint Fire Board constructed an addition to the fire station. Since the Fire Board is a joint board, they were not allowed to take out a loan. The Township agreed to enter into a Municipal Purchase Contract to assist in the financing of the new addition. To enable the Township to enter into the Municipal Purchase Contract, the Fire Board and the City of Watervliet transferred title of the Fire Board real property to the Township by quitclaim deed. As payments on the contract become due, the Fire Board forwards the payments to the Township.

Public Service Building - \$99,700. Matures September 1, 2017

Medic 1 Ambulance occupies the Public Service Building. On August 8, 2002, Watervliet Township entered into a lease agreement with Medic 1 Ambulance. The lease commenced on February 1, 2003. The initial term of the lease is fifteen years. Medic 1 Ambulance will pay \$828 a month as rent the first five years of the lease, \$910 a month as rent for the second five years of the lease, and \$1,001 a month as rent for the third five years of the lease. The amount of rent that is being charged is more than sufficient to cover the loan payments.

**Economic Factors and Next Year's Budgets and Rates**

The Township anticipates revenues over expenditures in the governmental funds. Expenditures in excess of revenues are expected in the Sewer Fund. Rates are expected to remain the same for the 2005-2006 fiscal year.

**Comparative Information**

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Township expects to present full comparative statements.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 15, 2005

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Watervliet Township  
Watervliet, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Watervliet Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages I through VIII and 8 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watervliet Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gerbel & Company, P.C.*

**Right. On time.**

**WATERVLIET TOWNSHIP**  
**Statement of Net Assets**  
**March 31, 2005**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Assets</b>			
Cash	\$ 2,112,383	\$ 599,724	\$ 2,712,107
Receivables	81,159	40,190	121,349
Land contract	68,802	-	68,802
Loan receivable	305,000	-	305,000
Due from fiduciary funds	8,257	-	8,257
Prepaid expenses	890	631	1,521
Capital assets (net of related depreciation):			
Land	28,775	-	28,775
Buildings and improvements	740,180	781	740,961
Land improvements	71,407	-	71,407
Machinery and equipment	-	16,405	16,405
Vehicles	5,663	5,663	11,326
Office equipment	10,212	5,771	15,983
Utility systems	-	4,448,404	4,448,404
<b>Total Assets</b>	<u>\$ 3,432,728</u>	<u>\$ 5,117,569</u>	<u>\$ 8,550,297</u>
<b>Liabilities</b>			
Accounts payable	\$ 13,153	\$ 31,859	\$ 45,012
Payroll liabilities	4,886	1,626	6,512
Noncurrent liabilities:			
Due within one year	23,600	-	23,600
Due in more than one year	381,100	-	381,100
<b>Total Liabilities</b>	<u>\$ 422,739</u>	<u>\$ 33,485</u>	<u>\$ 456,224</u>
<b>Net Assets</b>			
Invested in capital asset, net of related debt	\$ 756,537	\$ 4,477,024	\$ 5,233,561
Restricted	54,996	-	54,996
Unrestricted	2,198,456	607,060	2,805,516
<b>TOTAL NETS ASSETS</b>	<u>\$ 3,009,989</u>	<u>\$ 5,084,084</u>	<u>\$ 8,094,073</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP**  
**Statement of Activities**  
**March 31, 2005**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary Government:</b>			
Government Activities:			
Legislative	\$ 7,502	\$ -	\$ -
General government	316,029	93,726	-
Public safety	272,704	65,173	2,328
Public works	125,619		
Community and economic development	30,415	-	-
Recreation and cultural	8,770	-	-
Interest on long-term debt	20,185	-	-
Depreciation, unallocated	20,919	-	-
Total Governmental Activities	<u>\$ 802,143</u>	<u>\$ 158,899</u>	<u>\$ 2,328</u>
Business-Type Activities			
Sewer Fund	<u>\$ 458,664</u>	<u>\$ 311,799</u>	<u>\$ -</u>
Total Business-Type Activities	<u>\$ 458,664</u>	<u>\$ 311,799</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,260,807</u>	<u>\$ 470,698</u>	<u>\$ 2,328</u>
General revenues:			
Property taxes			
State revenue sharing			
Interest			
Other revenue			
Transfers			
Total General Revenues			
Change in Net Assets			
Net Assets- Beginning of Year			
NET ASSETS - END OF YEAR			

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

**Primary Government**

<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
\$ (7,502)	\$ -	\$ (7,502)
(222,303)	-	(222,303)
(205,203)	-	(205,203)
(125,619)	-	(125,619)
(30,415)	-	(30,415)
(8,770)	-	(8,770)
(20,185)	-	(20,185)
<u>(20,919)</u>	<u>-</u>	<u>(20,919)</u>
<u>\$ (640,916)</u>	<u>\$ -</u>	<u>\$ (640,916)</u>
<u>\$ -</u>	<u>\$ (146,865)</u>	<u>\$ (146,865)</u>
<u>\$ -</u>	<u>\$ (146,865)</u>	<u>\$ (146,865)</u>
<u>\$ (640,916)</u>	<u>\$ (146,865)</u>	<u>\$ (787,781)</u>
\$ 596,756	\$ -	\$ 596,756
243,541	-	243,541
50,307	5,811	56,118
15,707	-	15,707
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 906,311</u>	<u>\$ 5,811</u>	<u>\$ 912,122</u>
\$ 265,395	\$ (141,054)	\$ 124,341
<u>2,744,594</u>	<u>5,225,138</u>	<u>7,969,732</u>
<u>\$ 3,009,989</u>	<u>\$ 5,084,084</u>	<u>\$ 8,094,073</u>



**WATERVLIET TOWNSHIP  
GOVERNMENTAL FUNDS  
Balance Sheet**

	<u>General Fund</u>	<u>Police Fund</u>	<u>Road Maintenance Fund</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 986,294	\$ 188,286	\$ 720,904
Receivables:			
Accounts	10,058	-	-
Taxes	3,227	10,188	21,437
Interest	-	-	6,053
Due from other funds	28,239	-	1,831
Due from other governments	-	-	19,650
Land contract	-	-	-
Prepaid expenses	<u>890</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>\$ 1,028,708</u>	<u>\$ 198,474</u>	<u>\$ 769,875</u>
TOTAL ASSETS	<u>\$ 1,028,708</u>	<u>\$ 198,474</u>	<u>\$ 769,875</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 4,744	\$ -	\$ 8,409
Accrued liabilities	4,744	-	-
Due to other funds	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>\$ 9,488</u>	<u>\$ -</u>	<u>\$ 8,409</u>
Total Liabilities	<u>\$ 9,488</u>	<u>\$ -</u>	<u>\$ 8,409</u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ -	\$ -	\$ -
Unreserved, reported in			
General Fund	1,019,220	-	-
Special Revenue	-	198,474	761,466
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 1,019,220</u>	<u>\$ 198,474</u>	<u>\$ 761,466</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,028,708</u>	<u>\$ 198,474</u>	<u>\$ 769,875</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire Millage Fund</u>	<u>Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 64,206	\$ -	\$ 152,693	\$ 2,112,383
-	-	-	10,058
6,658	-	2,349	43,859
-	1,539	-	7,592
-	-	-	30,070
-	-	-	19,650
-	68,802	-	68,802
-	-	-	890
<u>\$ 70,864</u>	<u>\$ 70,341</u>	<u>\$ 155,042</u>	<u>\$ 2,293,304</u>
<u>\$ 70,864</u>	<u>\$ 70,341</u>	<u>\$ 155,042</u>	<u>\$ 2,293,304</u>
 \$ -	 \$ -	 \$ -	 \$ 13,153
-	-	142	4,886
-	21,813	-	21,813
-	68,802	-	68,802
<u>\$ -</u>	<u>\$ 90,615</u>	<u>\$ 142</u>	<u>\$ 108,654</u>
<u>\$ -</u>	<u>\$ 90,615</u>	<u>\$ 142</u>	<u>\$ 108,654</u>
 \$ -	 \$ -	 \$ 54,996	 \$ 54,996
-	-	-	1,019,220
70,864	-	99,904	1,130,708
-	(20,274)	-	(20,274)
<u>\$ 70,864</u>	<u>\$ (20,274)</u>	<u>\$ 154,900</u>	<u>\$ 2,184,650</u>
<u>\$ 70,864</u>	<u>\$ 70,341</u>	<u>\$ 155,042</u>	<u>\$ 2,293,304</u>

**WATERVLIET TOWNSHIP**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**For the Year Ended March 31, 2005**

Fund balances of governmental funds	\$ 2,184,650
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report outlay as expenditures, but they are recorded as capital assets in the Government-Wide Statements and depreciated over their useful lives.	856,237
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Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(404,700)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>373,802</u>
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Net Assets of Governmental Activities	<u>\$ 3,009,989</u>
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**WATERVLIET TOWNSHIP  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended March 31, 2005**

	<u>General Fund</u>	<u>Police Funds</u>	<u>Road Maintenance Fund</u>
<b>Revenues:</b>			
Taxes	\$ 58,175	\$ 139,764	\$ 274,464
Licenses and permits	12,515	-	-
State grants	245,869	-	-
Charges for services	69,461	-	-
Interest and rents	51,425	-	6,362
Other revenue	19,707	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 457,152	\$ 139,764	\$ 280,826
<b>Expenditures:</b>			
Legislative	\$ 29,497	\$ -	\$ -
General government	297,376	-	-
Public safety	3,424	115,226	-
Public works	4,711	-	140,587
Recreation and cultural	4,486	-	-
Other	27,992	-	-
Debt service	41,485	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 408,971	\$ 115,226	\$ 140,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 48,181	\$ 24,538	\$ 140,239
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of building	\$ -	\$ -	\$ -
Proceeds from loans	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 48,181	\$ 24,538	\$ 140,239
Fund Balances, Beginning of Year	<u>971,039</u>	<u>173,936</u>	<u>621,227</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,019,220</u>	<u>\$ 198,474</u>	<u>\$ 761,466</u>

The accompanying notes are an integral part of these financial statements.

Fire Millage Fund	Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 91,901	\$ -	\$ 32,452	\$ 596,756
-	-	49,466	61,981
-	-	-	245,869
-	-	5,350	74,811
11	17,173	2,840	77,811
-	-	6,603	26,310
<u>\$ 91,912</u>	<u>\$ 17,173</u>	<u>\$ 96,711</u>	<u>\$ 1,083,538</u>
 \$ -	 \$ -	 \$ -	 \$ 29,497
-	-	5,087	302,463
87,000	-	70,407	276,057
-	-	-	145,298
-	-	-	4,486
-	-	-	27,992
-	-	-	41,485
<u>\$ 87,000</u>	<u>\$ -</u>	<u>\$ 75,494</u>	<u>\$ 827,278</u>
 <u>\$ 4,912</u>	 <u>\$ 17,173</u>	 <u>\$ 21,217</u>	 <u>\$ 256,260</u>
 \$ -	 \$ 3,451	 \$ -	 \$ 3,451
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 3,451</u>	<u>\$ -</u>	<u>\$ 3,451</u>
\$ 4,912	\$ 20,624	\$ 21,217	\$ 259,711
<u>65,952</u>	<u>(40,898)</u>	<u>133,683</u>	<u>1,924,939</u>
<u>\$ 70,864</u>	<u>\$ (20,274)</u>	<u>\$ 154,900</u>	<u>\$ 2,184,650</u>

Net change in fund balances - total governmental funds	\$ 259,711
--	------------

Governmental fund report capital outlay as expenditures, but they are recorded as capital assets in the Government-Wide statements and depreciated over their useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.

3,835

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions in the funds.

21,300

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(19,451)

### Change in Net Assets of Governmental Funds

\$ 265,395

**WATERVLIET TOWNSHIP  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 49,000	\$ 49,000	\$ 58,175	\$ 9,175
Licenses and permits	13,000	13,000	12,515	(485)
State grants	243,200	243,200	245,869	2,669
Charges for services	64,000	64,000	69,461	5,461
Interest and rents	48,978	48,978	51,425	2,447
Other revenue	9,200	9,200	19,707	10,507
Total Revenues	<u>\$ 427,378</u>	<u>\$ 427,378</u>	<u>\$ 457,152</u>	<u>\$ 29,774</u>
<b>Expenditures:</b>				
Legislative	\$ 33,445	\$ 33,445	\$ 29,497	\$ 3,948
General government	282,378	282,378	297,376	(14,998)
Public safety	8,674	8,674	3,424	5,250
Public works	8,000	8,000	4,711	3,289
Recreation and cultural	16,500	16,500	4,486	12,014
Other	35,492	35,492	27,992	7,500
Debt service	42,889	42,889	41,485	1,404
Total Expenditures	<u>\$ 427,378</u>	<u>\$ 427,378</u>	<u>\$ 408,971</u>	<u>\$ 18,407</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 48,181	\$ 48,181
Fund Balance, Beginning of Year	<u>971,039</u>	<u>971,039</u>	<u>971,039</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 971,039</u>	<u>\$ 971,039</u>	<u>\$ 1,019,220</u>	<u>\$ 48,181</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP  
POLICE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 128,000	\$ 128,000	\$ 139,764	\$ 11,764
Total Revenues	\$ 128,000	\$ 128,000	\$ 139,764	\$ 11,764
<b>Expenditures:</b>				
Public Safety:				
Professional and contractual services	\$ 85,862	\$ 85,862	\$ 104,481	\$ (18,619)
Overtime hours	11,000	11,000	-	11,000
Equipment	-	-	10,745	(10,745)
Total Expenditures	\$ 96,862	\$ 96,862	\$ 115,226	\$ (18,364)
Net Change in Fund Balance	\$ 31,138	\$ 31,138	\$ 24,538	\$ (6,600)
Fund Balance, Beginning of Year	173,936	173,936	173,936	-
FUND BALANCE, END OF YEAR	\$ 205,074	\$ 205,074	\$ 198,474	\$ (6,600)



**WATERVLIT TOWNSHIP  
ROAD MAINTENANCE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 253,000	\$ 253,000	\$ 274,464	\$ 21,464
Interest	500	500	6,362	5,862
Total Revenues	<u>\$ 253,500</u>	<u>\$ 253,500</u>	<u>\$ 280,826</u>	<u>\$ 27,326</u>
<b>Expenditures:</b>				
Public Works:				
Payroll	\$ 7,000	\$ 7,000	\$ 5,809	\$ 1,191
Payroll taxes	536	536	444	92
Professional services	225,464	225,464	124,494	100,970
Repairs and maintenance	10,500	10,500	4,838	5,662
Road matching funds	5,000	5,000	5,000	-
Miscellaneous	5,000	5,000	2	4,998
Total Expenditures	<u>\$ 253,500</u>	<u>\$ 253,500</u>	<u>\$ 140,587</u>	<u>\$ 112,913</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 140,239	\$ 140,239
Fund Balance, Beginning of Year	<u>621,227</u>	<u>621,227</u>	<u>621,227</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 621,227</u>	<u>\$ 621,227</u>	<u>\$ 761,466</u>	<u>\$ 140,239</u>

**WATERVLIET TOWNSHIP  
FIRE MILLAGE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 85,000	\$ 85,000	\$ 91,901	\$ 6,901
Interest	80	80	11	(69)
Total Revenues	<u>\$ 85,080</u>	<u>\$ 85,080</u>	<u>\$ 91,912</u>	<u>\$ 6,832</u>
<b>Expenditures:</b>				
Public Safety:				
Aid to Watervliet Fire Board	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (1,920)	\$ (1,920)	\$ 4,912	\$ 6,832
Fund Balance, Beginning of Year	<u>65,952</u>	<u>65,952</u>	<u>65,952</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 64,032</u>	<u>\$ 64,032</u>	<u>\$ 70,864</u>	<u>\$ 6,832</u>

**WATERVLIET TOWNSHIP  
PROPRIETARY FUND  
Statement of Net Assets  
March 31, 2005**

	<b><u>Sewer Fund</u></b>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 599,724
Accounts receivables	28,969
Delinquent sanitation charges	11,221
Prepaid insurance	<u>631</u>
Total Current Assets	<u>\$ 640,545</u>
Noncurrent Assets:	
Building and improvements	\$ 1,080
Plant interceptors	1,581,866
Sewer collection mains	5,535,111
Equipment	183,910
Accumulated depreciation	<u>(2,824,943)</u>
Total Noncurrent Assets	<u>\$ 4,477,024</u>
TOTAL ASSETS	<u>\$ 5,117,569</u>
<b>Liabilities and Fund Balances</b>	
Current Liabilities:	
Accounts payable	\$ 31,859
Payroll liabilities	<u>1,626</u>
Total Current Liabilities	<u>\$ 33,485</u>
Total Liabilities	<u>\$ 33,485</u>
Fund Balance:	
Invested in capital assets, net of related debt	\$ 4,477,024
Unrestricted	<u>607,060</u>
Total Fund Balance	<u>\$ 5,084,084</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,117,569</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP  
PROPRIETARY FUND  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended March 31, 2005**

	<u><b>Sewer Fund</b></u>
<b>Operating Revenues:</b>	
Charges for services	\$ 311,799
<b>Operating Expenses:</b>	
Plant interceptor operating expenses	\$ 164,403
Salaries and wages	54,656
Retirement	1,618
Payroll taxes	4,182
Supplies	3,752
Professional services	32,776
Insurance	16,726
Utilities	10,234
Contractual services	910
Depreciation	121,198
Transportation	1,753
Storage rental	1,200
Repairs and maintenance	12,638
Miscellaneous	26,126
Capital outlay	6,492
	<hr/>
Total Operating Expenses	\$ 458,664
Operating Loss	\$ (146,865)
<b>Nonoperating Revenue (Expense):</b>	
Interest revenue	\$ 5,811
Total Nonoperating Revenue (Expense)	\$ 5,811
Change in Net Assets	\$ (141,054)
Total Net Assets, Beginning of Year	<hr/> 5,225,138
TOTAL NET ASSETS, END OF YEAR	<hr/> \$ 5,084,084

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP  
PROPRIETARY FUND  
Statement of Cash Flows  
For the Year Ended March 31, 2005**

**Cash Flows From Operating Activities:**

Cash receipts from customers	\$ 337,924
Payments to employees	(54,656)
Payments of benefits on behalf of employees	(4,451)
Payments to suppliers	<u>(296,441)</u>

Net cash provided (used) by operating activities \$ (17,624)

**Cash Flows From Capital and Related Financing Activities:**

Purchase of fixed assets	<u>\$ (17,299)</u>
--------------------------	--------------------

Net cash provided (used) by capital and related financing activities \$ (17,299)

**Cash Flows From Investing Activities:**

Interest income	<u>\$ 5,811</u>
-----------------	-----------------

Net cash provided (used) by investing activities \$ 5,811

Net Increase (decrease) in cash and cash equivalents \$ (29,112)

Cash Balance, Beginning of the Year 628,836

CASH BALANCE, END OF THE YEAR \$ 599,724

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	<u>\$ (146,865)</u>
-------------------------	---------------------

Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:

Depreciation expense	\$ 121,198
(Increase) decrease in:	
Accounts receivable	(4,218)
Delinquent sanitation charges	(2,813)
Increase (decrease) in:	
Accounts payable	13,725
Payroll liabilities	<u>1,349</u>

Total adjustments \$ 129,241

Net cash provided (used) by operating activities \$ (17,624)

**WATERVLIET TOWNSHIP  
FIDUCIARY FUNDS  
Statement of Net Assets  
March 31, 2005**

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$     10,925
 TOTAL ASSETS	 \$     10,925
 <b>Liabilities</b>	
Due to other funds	\$       8,257
Due to other governmental units	<u>         2,668</u>
 TOTAL LIABLILITES	 \$     10,925

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by Watervliet Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

**Coloma Watervliet Area Economic Development Corporation.** This potential component unit is disclosed as a jointly governed organization because the Township has one representative on the regional council of government and does not have an ongoing financial interest in or a financial responsibility for the corporation. See Note 4 for further information on the jointly governed organization.

**Watervliet Joint Cemetery, Watervliet Joint Fire Board, Watervliet Joint Airport, and Paw Paw Lake Joint Sewage Board.** These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 5 for further information on the joint ventures.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Watervliet Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Police Fund** is used to account for police services.

The **Road Maintenance Fund** is used to account for the repairs, maintenance and general upkeep of the Township's roads.

The **Fire Millage Fund** is used to account for revenues collected and monies expended for the purpose of maintaining fire response service to the community.

The **Improvement Fund** is used to account for capital improvements.

Watervliet Township reports the following major proprietary fund:

The **Sewer Operating Fund** accounts for the activities related to the Township's share of the Paw Paw Lake Wastewater Treatment Plant's sanitary collections system and wastewater treatment.



**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued**

Additionally, Watervliet Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Sewer Fund and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

**D. Budgetary Data**

Prior to an annual meeting the Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing April 1. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted in summary form at the annual budget meeting.

The Supervisor and Clerk are authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the Board of Trustees.

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Watervliet Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

**F. Long-Term Liabilities**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. The Township does not currently have any bonded debt; however, if they were to issue a bond, the bond premium or discount, as well as issuance costs, would be deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable would be reported net of the applicable bond premium or discount. Bond issuance costs would be reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances would be reported as other financing sources. Bond discounts would be reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, would be reported as debt service.

**G. Property Taxes**

Township property taxes are levied on December 1 and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized as revenues in the calendar year following the levy date.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Cash Flows Statement**

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of six months or less when purchased, to be cash equivalents.

**I. Investments**

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of six months or less when purchased are defined as cash equivalents.

**J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE 2 - CASH DEPOSITS**

The Township's deposits, which include cash and certificates of deposit, are carried at cost. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at March 31, 2005.

**Year-End Deposits**

At year-end, the deposits consisted of the following components:

	<u>Carrying Amount</u>		
	<u>Primary</u>	<u>Fiduciary</u>	
	<u>Government</u>	<u>Funds</u>	<u>Total</u>
Bank deposits	\$ 2,711,807	\$ 10,709	\$ 2,722,516
Petty cash	<u>300</u>	<u>216</u>	<u>516</u>
Cash and Cash Equivalents as reported in statements	\$ 2,712,107	\$ 10,925	\$ 2,723,032
Less: Petty cash	<u>(300)</u>	<u>(216)</u>	<u>(516)</u>
Total Deposits	<u>\$ 2,711,807</u>	<u>\$ 10,709</u>	<u>\$ 2,722,516</u>

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 2 - CASH DEPOSITS - Continued**

**Year-End Deposits - Continued**

For the bank deposits and certificates of deposit, \$200,000 was covered by federal depository insurance and \$2,574,558 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the entity at year-end.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
<b>Primary Government</b>		
Amount insured by the FDIC	\$ 200,000	\$ 200,000
Uncollateralized and uninsured	<u>2,511,807</u>	<u>2,537,646</u>
Total Primary Government	<u>\$ 2,711,807</u>	<u>\$ 2,737,646</u>
<b>Fiduciary Funds</b>		
Amount insured by the FDIC	\$ -	\$ -
Uncollateralized and uninsured	<u>10,709</u>	<u>36,912</u>
Total Fiduciary Funds	<u>\$ 10,709</u>	<u>\$ 36,912</u>
Total Reporting Entity	<u>\$ 2,722,516</u>	<u>\$ 2,774,558</u>

**NOTE 3 - JOINT VENTURES**

**Watervliet Joint Cemetery**

The Watervliet Joint Cemetery's purpose is to maintain and sell the lots of the city-township cemetery. The Watervliet Joint Cemetery's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Cemetery, which are not covered by sales of lots, are shared equally by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2005 totals \$5,000.

A copy of the March 31, 2004 audited financial statements is available for review at the Township Hall.

**Watervliet Joint Fire Board**

The Watervliet Joint Fire Board's purpose is to supervise, operate, maintain and provide fire service for the City of Watervliet and Watervliet Township. The Watervliet Joint Fire Board's Board of Trustees is comprised of three trustees appointed by the City of Watervliet and three trustees appointed by Watervliet Township.

Any and all costs incidental to the maintenance and operation of the Watervliet Joint Fire Board are shared by the City of Watervliet and Watervliet Township. Watervliet Township's contribution for the year ending March 31, 2005 totals \$87,000.

A copy of the March 31, 2003 audited financial statements is available for review at the Township Hall.

**WATERVLiet TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 3 - JOINT VENTURES - Continued**

**Watervliet Joint Airport**

The Watervliet Joint Airport's purpose is to further public interest and aeronautical progress at the airport jointly owned by the City of Watervliet and the Township of Watervliet, and known as Watervliet Municipal Airport. The board consists of six members, three from each Local Unit.

The Township of Watervliet and the City of Watervliet contribute equal shares toward the maintenance and operation of the airport and aeronautical facilities, and revenues in excess of the expense of maintaining and operating the facility are to be equally divided between the two municipalities. Watervliet Township's contribution for the year ending March 31, 2005 totals \$4,500.

There are no audited financial statements available for review.

**Paw Paw Lake Joint Sewage Board**

The Paw Paw Lake Joint Sewage Board's purpose is to control, manage, and operate the Paw Paw Lake Area Wastewater Plant. The board consists of eight appointed members; two from each Participating Municipality. The municipalities that participate in the sewage disposal contract include the Township of Watervliet, the City of Watervliet, the Township of Coloma, and the City of Coloma.

Watervliet Township is billed monthly by the Paw Paw Lake Area Wastewater Plant at a per gallon rate that is based upon the Board's operating expenses plus expenditures for properties for the fiscal year. Total costs to Watervliet Township for the year ended March 31, 2005 equaled \$197,559.

A copy of the most recent audited financial statements, for the fiscal year ending March 31, 2004, is available for review at the Township Hall.

**NOTE 4 - JOINTLY GOVERNED ORGANIZATIONS**

**Coloma Watervliet Area Economic Development Corporation**

The Township and City of Watervliet, the Township and City of Coloma, and the Township of Bainbridge participate jointly in the operation of the Coloma Watervliet Area Economic Development Corporation. The Corporation is organized for the specific and primary purpose of furthering the common interests of the Greater Coloma Watervliet Area by promoting the retention and growth of commercial and industrial enterprises.

The funds required are allocated among the Participating Municipalities according to a formula approved by the board of directors. The formula contains a per capita, real property tax valuation to assure equality among the five Participating Municipalities.

Watervliet Township's appropriation to the Coloma Watervliet Area Economic Development Corporation for the fiscal year ended March 31, 2005 was \$23,492.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activities for the year ended March 31, 2005 were as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2005</u>
<b>Governmental Activities</b>				
Land	\$ 28,775	\$ -	\$ -	\$ 28,775
Buildings and Improvements	\$ 791,625	\$ -	\$ -	\$ 791,625
Land Improvements	80,408	21,180	-	101,588
Machinery and Equipment	12,000	-	-	12,000
Vehicles	11,717	-	-	11,717
Office Equipment	19,943	3,574	-	23,517
Subtotal	\$ 915,693	\$ 24,754	\$ -	\$ 940,447
Less: Accumulated Depreciation	(92,066)	(20,919)	-	(112,985)
Total Capital Assets Other Than Land	\$ 823,627	\$ 3,835	\$ -	\$ 827,462

Governmental Activities depreciation for fiscal year ended March 31, 2005 amounted to \$20,919. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions. Accordingly, all governmental depreciation is reported as unallocated on the Statement of Activities.

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2005</u>
<b>Business Activities</b>				
Buildings and improvements	\$ 1,080	\$ -	\$ -	\$ 1,080
Machinery and Equipment	85,957	-	-	85,957
Vehicles	34,574	-	-	34,574
Utility Systems	7,103,250	13,725	-	7,116,975
Office Equipment	59,807	3,574	-	63,381
Subtotal	\$ 7,284,668	\$ 17,299	\$ -	\$ 7,301,967
Less: Accumulated Depreciation	(2,703,745)	(121,198)	-	(2,824,943)
Total Capital Assets	\$ 4,580,923	\$ (103,899)	\$ -	\$ 4,477,024

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 6 - CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government for the year ended March 31, 2005:

	<b><u>Municipal Purchase Contracts</u></b>
As of April 1, 2004	\$ 426,000
Additions	-
(Reductions)	<u>(21,300)</u>
As of March 31, 2005	<u>\$ 404,700</u>

Long-term debt at March 31, 2005 is comprised of the following individual issues:

	<b><u>Balance April 1, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance March 31, 2005</u></b>	<b><u>Due Within One Year</u></b>
<b>Governmental Activities - Primary Activities</b>					
\$360,000 2000 municipal purchase contract (refinanced in 2005) with Fifth Third Bank due in annual installments of \$16,000 to \$36,000 through September 1, 2015; interest at 4.325% - General Fund	\$ 321,000	\$ -	\$ (16,000)	\$ 305,000	\$ 18,000
\$110,000 municipal purchase contract with Fifth Third Bank due in annual installments of \$5,300 to \$10,000 through September 1, 2017; interest at 3.87% - General Fund	<u>105,000</u>	<u>-</u>	<u>(5,300)</u>	<u>99,700</u>	<u>5,600</u>
Total Primary Government	<u>\$ 426,000</u>	<u>\$ -</u>	<u>\$ (21,300)</u>	<u>\$ 404,700</u>	<u>\$ 23,600</u>

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 6 - CHANGES IN LONG-TERM DEBT - Continued**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 23,600	\$ 16,489	\$ 40,089
2007	26,000	15,488	41,488
2008	28,300	14,377	42,677
2009	30,600	13,155	43,755
2010	33,000	11,824	44,824
2011-2015	198,800	35,524	234,324
2016-2017	64,400	2,537	66,937
Total	<u>\$ 404,700</u>	<u>\$ 109,394</u>	<u>\$ 514,094</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of March 31, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>General</b>	Improvement	\$ 21,813
	Trust and Agency	533
	Current Tax	5,893
<b>Road Maintenance</b>	Current Tax	1,831
	Total	<u>\$ 30,070</u>

**NOTE 8 - RISK MANAGEMENT**

The Township carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.



**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 9 - RESERVED FUND BALANCES**

The fund balance in the Cemetery Perpetual Care Fund has been designated reserved. It is restricted for the purpose of continuing maintenance and upkeep of the cemetery once the General Cemetery Fund's fund balance has been depleted and is no longer able to produce revenue to support its operation.

**NOTE 10 - EXPENDITURES OVER BUDGET**

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund and Police Fund budgets of the Township were adopted at the department level. During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
<b>General Fund:</b>			
General government	\$ 282,378	\$ 297,376	\$ (14,998)
<b>Police Fund:</b>			
Public safety	96,862	115,226	(18,364)

**NOTE 11 - FUND DEFICIT**

The Township's Improvement Fund has a fund deficit. During the March 31, 2001 fiscal year, the Township completed construction on a new Township Hall located on M-140 in the Township. The Township has sold the old building on land contract. The proceeds from the sale of the building will reduce and eventually eliminate the deficit.

**NOTE 12 - FIRE CONSTRUCTION LOAN**

In 2001 the Watervliet Joint Fire Board constructed an addition to the fire station. Since the Fire Board is a joint board, they were not allowed to take out a loan. The Township agreed to enter into a Municipal Purchase Contract to assist in the financing of the new addition. To enable the Township to enter into the Municipal Purchase Contract, the Fire Board and the City of Watervliet transferred title of the Fire Board real property to the Township by quitclaim deed. As payments on the contract become due, the Fire Board forwards the payments to the Township. The obligation to pay the loan has been included in the Township's Long-Term Debt (Note 6), and the Fire Board's obligation to the Township has been included on the Statement of Net Assets as a loan receivable. When the contract is paid in full the Township will reconvey the property to the Fire Board by quitclaim deed.

**NOTE 13 - OPERATING LEASE**

On August 8, 2002, Watervliet Township entered into a lease agreement with Medic 1 Ambulance. The lease commenced on February 1, 2003. Medic 1 Ambulance is leasing approximately 760 square feet of living area and one stall garage of approximately 793 square feet. The initial term of the lease is fifteen years. Medic 1 Ambulance will pay \$828 a month as rent the first five years of the lease, \$910 a month as rent for the second five years of the lease, and \$1,001 a month as rent for the third five years of the lease.

**WATERVLIET TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 14 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

**Statements**

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment to GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

**Interpretation**

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township is required to implement the new requirements no later than the fiscal year ending March 31, 2005.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

**WATERVLIET TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
Description of Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Ambulance Fund** - This fund is used to account for revenues collected and monies expended for the purpose of maintaining ambulance service to the community.

**Cemetery General Fund** - This fund is used to account for revenues collected and monies expended for the purpose of maintaining the cemetery.

**Cemetery Perpetual Care Fund** - This fund is used to account for revenues collected and monies expended for the purpose of providing for continued operations of the cemetery after funds from the Cemetery General Fund have been exhausted.

**Building Department Fund** - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

**WATERVLIET TOWNSHIP**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet**  
**March 31, 2005**

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 152,693	\$ 152,693
Receivables	<u>2,349</u>	<u>2,349</u>
Total Current Assets	<u>\$ 155,042</u>	<u>\$ 155,042</u>
TOTAL ASSETS	<u>\$ 155,042</u>	<u>\$ 155,042</u>
<b>Liabilities and Fund Balances</b>		
Current Liabilities:		
Accrued liabilities	<u>\$ 142</u>	<u>\$ 142</u>
Total Current Liabilities	<u>\$ 142</u>	<u>\$ 142</u>
Total Liabilities	<u>\$ 142</u>	<u>\$ 142</u>
Fund Balances:		
Reserved for:		
Restricted purposes	\$ 54,996	\$ 54,996
Unreserved, reported in		
Special Revenue	99,904	99,904
Capital Projects	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 154,900</u>	<u>\$ 154,900</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 155,042</u>	<u>\$ 155,042</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended March 31, 2005**

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
Taxes	\$ 32,452	\$ 32,452
Charges for services	5,350	5,350
Interest and rents	2,840	2,840
Licenses and permits	49,466	49,466
Other revenue	<u>6,603</u>	<u>6,603</u>
 Total Revenues	 <u>\$ 96,711</u>	 <u>\$ 96,711</u>
 <b>Expenditures</b>		
General government	\$ 5,087	\$ 5,087
Public safety	<u>70,407</u>	<u>70,407</u>
 Total Expenditures	 <u>\$ 75,494</u>	 <u>\$ 75,494</u>
 Net Change in Fund Balance	 <u>\$ 21,217</u>	 <u>\$ 21,217</u>
 Fund Balance, Beginning of Year	 <u>133,683</u>	 <u>133,683</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 154,900</u>	 <u>\$ 154,900</u>

The accompanying notes are an integral part of these financial statements.

**WATERVLIET TOWNSHIP**  
**GENERAL FUND**  
**Statement of Revenues, Compared to Budget**  
**For the Year Ended March 31, 2005**  
**With Comparative Actual Amounts for the Year Ended March 31, 2004**

	<u>2005</u>		<u>Variance -</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Current tax collections	\$ 47,000	\$ 52,257	\$ 5,257	\$ 48,835
Delinquent taxes	1,000	4,612	3,612	1,922
Trailer fees	1,000	1,306	306	1,367
Total Taxes	<u>\$ 49,000</u>	<u>\$ 58,175</u>	<u>\$ 9,175</u>	<u>\$ 52,124</u>
<b>Licenses and permits:</b>				
Liquor license fees	\$ -	\$ -	\$ -	\$ 2,278
Other licenses and fees	<u>13,000</u>	<u>12,515</u>	<u>(485)</u>	<u>14,351</u>
Total Licenses and Permits	<u>\$ 13,000</u>	<u>\$ 12,515</u>	<u>\$ (485)</u>	<u>\$ 16,629</u>
<b>State Grants</b>	<u>\$ 243,200</u>	<u>\$ 245,869</u>	<u>\$ 2,669</u>	<u>\$ 258,321</u>
<b>Charges for services:</b>				
Landfill impact fees	<u>\$ 64,000</u>	<u>\$ 69,461</u>	<u>\$ 5,461</u>	<u>\$ 64,676</u>
<b>Interest</b>	<u>\$ 5,300</u>	<u>\$ 9,978</u>	<u>\$ 4,678</u>	<u>\$ 7,320</u>
<b>Rents</b>	<u>\$ 43,678</u>	<u>\$ 41,447</u>	<u>\$ (2,231)</u>	<u>\$ 43,356</u>
<b>Other revenue</b>	<u>\$ 9,200</u>	<u>\$ 19,707</u>	<u>\$ 10,507</u>	<u>\$ 11,034</u>
TOTAL REVENUES	<u>\$ 427,378</u>	<u>\$ 457,152</u>	<u>\$ 29,774</u>	<u>\$ 453,460</u>

**WATERVLIT TOWNSHIP**  
**GENERAL FUND**  
**Statement of Expenditures, Compared to Budget**  
**For the Year Ended March 31, 2005**  
**With Comparative Actual Amounts for the Year Ended March 31, 2004**

	<u>2005</u>		<u>Variance -</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>Legislative:</b>				
<b>Township Board:</b>				
Salaries	\$ 4,500	\$ 3,469	\$ 1,031	\$ 4,233
Payroll taxes	445	265	180	324
Contributions - Other:				
City cemetery	5,000	5,000	-	5,000
Airport	4,500	4,500	-	4,500
Airport insurance and bonds	2,000	1,285	715	1,168
Audit fees	6,000	5,600	400	5,198
Education and training	6,000	3,768	2,232	5,309
Data processing	5,000	5,610	(610)	4,948
Total Legislative	<u>\$ 33,445</u>	<u>\$ 29,497</u>	<u>\$ 3,948</u>	<u>\$ 30,680</u>
<b>General Government:</b>				
<b>Supervisor:</b>				
Salaries	\$ 15,756	\$ 15,756	\$ -	\$ 15,371
Payroll taxes	1,205	1,205	-	1,176
Total Supervisor	<u>\$ 16,961</u>	<u>\$ 16,961</u>	<u>\$ -</u>	<u>\$ 16,547</u>
<b>Assessor and Board of Review:</b>				
Salaries and wages	\$ 29,110	\$ 23,644	\$ 5,466	\$ 28,665
Payroll taxes	306	234	72	342
Retirement	-	-	-	10
Total Assessor and Board of Review	<u>\$ 29,416</u>	<u>\$ 23,878</u>	<u>\$ 5,538</u>	<u>\$ 29,017</u>
<b>Clerk:</b>				
Salaries and wages	\$ 13,646	\$ 13,646	\$ -	\$ 13,313
Payroll taxes	1,044	1,044	-	1,018
Total Clerk	<u>\$ 14,690</u>	<u>\$ 14,690</u>	<u>\$ -</u>	<u>\$ 14,331</u>
<b>Treasurer:</b>				
Salaries and wages	\$ 14,876	\$ 14,876	\$ -	\$ 14,513
Payroll taxes	1,138	1,138	-	1,110
Total Treasurer	<u>\$ 16,014</u>	<u>\$ 16,014</u>	<u>\$ -</u>	<u>\$ 15,623</u>

**WATERVLIET TOWNSHIP**  
**GENERAL FUND**  
**Statement of Expenditures, Compared to Budget**  
**For the Year Ended March 31, 2005**  
**With Comparative Actual Amounts for the Year Ended March 31, 2004**

	<u>2005</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2004</u>
			<u>(Negative)</u>	<u>Actual</u>
<b>General Government, continued:</b>				
<b>Administrative and Office:</b>				
Salaries and wages	\$ 60,000	\$ 60,236	\$ (236)	\$ 53,697
Payroll taxes	4,590	4,608	(18)	4,137
Retirement	1,500	941	559	1,035
Office supplies	9,500	12,512	(3,012)	9,260
Professional services	7,000	18,167	(11,167)	3,791
Legal fees	20,000	43,528	(23,528)	25,459
Transportation	2,700	2,600	100	2,493
Utilities	10,000	8,592	1,408	8,493
Printing and publishing	3,000	7,309	(4,309)	2,526
Insurance and bonds	15,500	16,839	(1,339)	14,480
Repairs and maintenance	27,500	17,359	10,141	23,652
Contract services	6,308	499	5,809	3,720
Consultant fees	1,500	14,180	(12,680)	170
Storage rental	1,200	1,200	-	1,200
Equipment	10,000	8,595	1,405	4,938
Contingency	6,000	-	6,000	3,566
Miscellaneous	4,999	2,633	2,366	3,804
<b>Total Administrative and Office</b>	<b>\$ 191,297</b>	<b>\$ 219,798</b>	<b>\$ (28,501)</b>	<b>\$ 166,421</b>
<b>Elections:</b>				
Salaries - temporary employees	\$ 3,500	\$ 2,055	\$ 1,445	\$ 655
Transportation	300	349	(49)	124
Office supplies	2,500	537	1,963	119
Professional fees	1,000	1,360	(360)	-
Printing and publishing	500	1,126	(626)	-
Repairs and maintenance - supplies	200	30	170	-
Equipment	5,000	-	5,000	-
Miscellaneous	1,000	578	422	-
<b>Total Elections</b>	<b>\$ 14,000</b>	<b>\$ 6,035</b>	<b>\$ 7,965</b>	<b>\$ 898</b>
<b>Total General Government</b>	<b>\$ 282,378</b>	<b>\$ 297,376</b>	<b>\$ (14,998)</b>	<b>\$ 242,837</b>



**WATERVLIET TOWNSHIP  
GENERAL FUND  
Statement of Expenditures, Compared to Budget  
For the Year Ended March 31, 2005  
With Comparative Actual Amounts for the Year Ended March 31, 2004**

	<u>2005</u>		<u>Variance -</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>Public Safety:</b>				
Salaries and Wages:				
Planning Commission	\$ 2,000	\$ 2,250	\$ (250)	\$ 1,750
Board of Appeals	1,000	930	70	880
Payroll taxes	261	244	17	216
Retirement	3	-	3	2
Crossing guard policing	5,000	-	5,000	3,330
Liquor inspector	400	-	400	199
Supplies	10	-	10	-
Total Public Safety	<u>\$ 8,674</u>	<u>\$ 3,424</u>	<u>\$ 5,250</u>	<u>\$ 6,377</u>
<b>Public Works:</b>				
Highways and Streets:				
Tree removal	\$ 2,000	\$ 1,125	\$ 875	\$ 1,050
Street lights	3,500	2,460	1,040	2,526
Drains at large	2,500	1,126	1,374	1,196
Total Public Works	<u>\$ 8,000</u>	<u>\$ 4,711</u>	<u>\$ 3,289</u>	<u>\$ 4,772</u>
<b>Recreation and Cultural:</b>				
Parks and Recreation:				
Repair and maintenance	\$ 9,000	\$ 485	\$ 8,515	\$ 843
Aid to other government	2,500	2,500	-	2,500
Professional services	5,000	1,501	3,499	3,638
Total Recreation and Cultural	<u>\$ 16,500</u>	<u>\$ 4,486</u>	<u>\$ 12,014</u>	<u>\$ 6,981</u>
<b>Debt:</b>				
Principal on loan	\$ 21,300	\$ 21,300	\$ -	\$ 19,000
Interest on loan	21,589	20,185	1,404	22,576
Total Debt	<u>\$ 42,889</u>	<u>\$ 41,485</u>	<u>\$ 1,404</u>	<u>\$ 41,576</u>
<b>Capital Outlay</b>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ -</u>
<b>Other</b>	<u>\$ 27,992</u>	<u>\$ 27,992</u>	<u>\$ -</u>	<u>\$ 27,992</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 427,378</u>	<u>\$ 408,971</u>	<u>\$ 18,407</u>	<u>\$ 361,215</u>

**WATERVLIET TOWNSHIP**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**March 31, 2005**

	<u>Ambulance Fund</u>	<u>General Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>
<b>ASSETS</b>			
Cash in bank	\$ 77,781	\$ 11,734	\$ 54,996
Delinquent tax receivable	<u>2,349</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 80,130</u>	<u>\$ 11,734</u>	<u>\$ 54,996</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Payroll liabilities	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balances:			
Reserved	\$ -	\$ -	\$ 54,996
Unreserved	<u>80,130</u>	<u>11,734</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>\$ 80,130</u>	<u>\$ 11,734</u>	<u>\$ 54,996</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 80,130</u>	<u>\$ 11,734</u>	<u>\$ 54,996</u>

Building Department <u>Fund</u>	<u>Total</u>
\$ 8,182	\$ 152,693
-	2,349

<u>\$ 8,182</u>	<u>\$ 155,042</u>
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<u>\$ 142</u>	<u>\$ 142</u>
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<u>\$ 142</u>	<u>\$ 142</u>
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\$ -	\$ 54,996
<u>8,040</u>	<u>99,904</u>

<u>\$ 8,040</u>	<u>\$ 154,900</u>
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<u>\$ 8,182</u>	<u>\$ 155,042</u>
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**WATERVLIET TOWNSHIP**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended March 31, 2005**

	<u>Ambulance Fund</u>	<u>Cemetery General Fund</u>	<u>Cemetery Perpetual Care Fund</u>
<b>Revenues:</b>			
Taxes	\$ 32,452	\$ -	\$ -
Charges for services	-	2,675	2,675
Interest and rents	209	2,402	229
Licenses and permits:			
Building permits	-	-	-
Electrical permits	-	-	-
Plumbing permits	-	-	-
Mechanical permits	-	-	-
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 32,661	\$ 5,077	\$ 2,904
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
<b>General Government:</b>			
Maintenance	\$ -	\$ 4,059	\$ -
Professional services	-	612	-
Utilities	-	416	-
	<hr/>	<hr/>	<hr/>
Total General Government	\$ -	\$ 5,087	\$ -
	<hr/>	<hr/>	<hr/>
<b>Public Safety:</b>			
Ambulance service	\$ 23,506	\$ -	\$ -
Salaries	-	-	-
Building inspector	-	-	-
Payroll taxes	-	-	-
Electrical inspector	-	-	-
Plumbing inspector	-	-	-
Mechanical inspector	-	-	-
Plan review	-	-	-
Education	-	-	-
Transportation	-	-	-
Public utilities	-	-	-
	<hr/>	<hr/>	<hr/>
Total Public Safety	\$ 23,506	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 23,506	\$ 5,087	\$ -
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ 9,155	\$ (10)	\$ 2,904
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Year	70,975	11,744	52,092
	<hr/>	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 80,130	\$ 11,734	\$ 54,996
	<hr/>	<hr/>	<hr/>

Building Department Fund	Total
\$ -	\$ 32,452
-	5,350
-	2,840
35,549	35,549
6,273	6,273
3,019	3,019
4,625	4,625
<u>6,603</u>	<u>6,603</u>
\$ 56,069	\$ 96,711
\$ -	\$ 4,059
-	612
-	416
<u>-</u>	<u>416</u>
\$ -	\$ 5,087
\$ -	\$ 23,506
450	450
23,442	23,442
2,023	2,023
5,331	5,331
2,566	2,566
4,625	4,625
5,803	5,803
1,557	1,557
28	28
<u>1,076</u>	<u>1,076</u>
\$ 46,901	\$ 70,407
\$ 46,901	\$ 75,494
\$ 9,168	\$ 21,217
<u>(1,128)</u>	<u>133,683</u>
\$ 8,040	\$ 154,900

**WATERVLIET TOWNSHIP  
AGENCY FUNDS  
Combining Balance Sheet  
March 31, 2005**

	<b>Tax Collection <u>Fund</u></b>	<b>Trust and Agency <u>Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash in bank	\$ 7,508	\$ 3,201	\$ 10,709
Cash on hand	<u>216</u>	<u>-</u>	<u>216</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,724</u></b>	<b><u>\$ 3,201</u></b>	<b><u>\$ 10,925</u></b>
 <b>LIABILITIES</b>			
Due to other funds	\$ 7,724	\$ 533	\$ 8,257
Due to other governmental units	<u>-</u>	<u>2,668</u>	<u>2,668</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 7,724</u></b>	<b><u>\$ 3,201</u></b>	<b><u>\$ 10,925</u></b>

**WATERVLIET TOWNSHIP**  
**Statement of Cash Receipts and Disbursements - Trust and Agency Fund**  
**For the Year Ended March 31, 2005**

**Receipts:**

Trailer fees	\$ 7,833
Delinquent taxes	<u>-</u>
Total Receipts	<u>\$ 7,833</u>

**Disbursements:**

Other funds	\$ 772
Other governments	<u>3,860</u>
Total Disbursements	<u>\$ 4,632</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>\$ 3,201</u>
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Cash at beginning of year	<u>-</u>
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CASH AT END OF YEAR	<u>\$ 3,201</u>
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**WATERVLIET TOWNSHIP**  
**Statement of Cash Receipts and Disbursements - Tax Collection Fund**  
**For the Year Ended March 31, 2005**

**Receipts:**

Current property tax collections	\$ 2,879,942	
Interest	<u>3,623</u>	
Total Receipts		\$ 2,883,565

**Disbursements:**

Public schools	\$ 901,367	
Berrien County	1,009,216	
Other funds	559,992	
Berrien County I.S.D.	203,036	
Lake Michigan College	154,293	
Watervliet District Library	42,444	
Other	<u>11,391</u>	

Total Disbursements		<u>2,881,739</u>
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Receipts Over (Under) Disbursements		\$ 1,826
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Cash at beginning of year		<u>5,898</u>
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CASH AT END OF YEAR		<u>\$ 7,724</u>
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**WATERVLIET TOWNSHIP**  
**Schedule of Indebtedness - Fire Construction Loan**  
**For the Year Ended March 31, 2005**

Watervliet Township entered into a Municipal Purchase Contract to finance an addition to the Fire Station in the amount of \$360,000 on September 8, 2000, with interest at 5.67%. The contract was refinanced in September of 2004, with a new interest rate at 4.325%. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/8/00	\$ 360,000	4.325%	9/1/05	\$ 18,000	\$ 6,596
			3/1/06	-	6,206
			9/1/06	20,000	6,206
			3/1/07	-	5,774
			9/1/07	22,000	5,774
			3/1/08	-	5,298
			9/1/08	24,000	5,298
			3/1/09	-	4,779
			9/1/09	26,000	4,779
			3/1/10	-	4,217
			9/1/10	28,000	4,217
			3/1/11	-	3,611
			9/1/11	30,000	3,611
			3/1/12	-	2,963
			9/1/12	32,000	2,963
			3/1/13	-	2,271
			9/1/13	34,000	2,271
			3/1/14	-	1,535
			9/1/14	35,000	1,535
			3/1/15	-	779
			9/1/15	36,000	778
				<u>\$ 305,000</u>	<u>\$ 81,461</u>

**WATERVLIET TOWNSHIP**  
**Schedule of Indebtedness - Public Service Building Loan**  
**For the Year Ended March 31, 2005**

Wartervliet Township entered into an Installment Purchase Agreement to finance construction of a Public Service Building in the amount of \$110,000 on September 4, 2002. Schedule of indebtedness is as follows:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Payment</u>	<u>Annual Principal Requirement</u>	<u>Interest Payable</u>
9/4/02	\$ 110,000	3.87%	9/1/2005	\$ 5,600	\$ 1,885
			3/1/2006	-	1,802
			9/1/2006	6,000	1,802
			3/1/2007	-	1,706
			9/1/2007	6,300	1,706
			3/1/2008	-	1,599
			9/1/2008	6,600	1,599
			3/1/2009	-	1,479
			9/1/2009	7,000	1,479
			3/1/2010	-	1,349
			9/1/2010	7,300	1,349
			3/1/2011	-	1,211
			9/1/2011	7,600	1,211
			3/1/2012	-	1,064
			9/1/2012	8,000	1,064
			3/1/2013	-	906
			9/1/2013	8,300	906
			3/1/2014	-	743
			9/1/2014	8,600	743
			3/1/2015	-	571
			9/1/2015	9,000	571
			3/1/2016	-	391
			9/1/2016	9,400	391
			3/1/2017	-	203
			9/1/2017	10,000	203
				<u>\$ 99,700</u>	<u>\$ 27,933</u>

# **Gerbel & Company, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 15, 2005

Township Board  
Township of Watervliet  
Watervliet, Michigan

In connection with our audit of the books and records of Watervliet Township for the year ending March 31, 2005, we offer the following comments and recommendations regarding internal control and other accounting matters:

## **GENERAL**

1. Accumulated interest in the Current Tax Fund at March 31, 2005 is \$5,893. During the year the Township transferred \$5,000 of interest to the General Fund. The Township should continue to monitor the accumulated interest and transfer interest to the General Fund accordingly.
2. The Current Tax Fund underpaid the Road Maintenance Fund by \$1,830.84. By the end of the audit, a check was written to reconcile the amount.
3. The monthly allowance paid to the Supervisor for reimbursement of employee expenses is considered income and should be run through the payroll system as such. Currently the payment is being handled through accounts payable.
4. Activity for the Horizon public fund account was not recorded in the year-to-date ledger. An entry was made during the audit to record the cash account. Interest earned and account fees incurred throughout the year should be recorded in the year-to-date ledger throughout the year.
5. When certificates of deposit mature, interest earned and rolled over into the new certificate should be recorded. Interest was not recorded on a Horizon Bank certificate that matured during the year.
6. The January sanitation billing was posted twice to the general ledger. After each billing, the sanitation outstanding balances report should be compared to general ledger account 548-000-042 for reasonableness.
7. The December 6, 2004 payroll did not post to the general ledger. The cash was adjusted by the Township prior to the audit, but an adjusting entry was made during the audit to record the expenditures associated with the payroll.
8. A clearing fund for payroll was set up to assist in recording payroll related items. When this fund is working properly, each account should clear itself out. There were large account balances at March 31, 2005 in this fund. The fund should be reviewed monthly to insure that the clearing fund is working as it was intended.
9. The policy manual should be updated to reflect the current policy on accrued sick and vacation time.

**Right. On time.**

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: [gerbel@parrett.net](mailto:gerbel@parrett.net) ■ WEB SITE: [www.gerbel.com](http://www.gerbel.com)

10. GASB Statement #40 is effective for financial statements for periods beginning after June 15, 2004. The objective of the statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. The statement requires a brief description of the deposit or investment policies that are related to the risks that GASB #40 requires to be disclosed, including custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Due to the changes in deposit and investment disclosures, the Township may want to consider updating their investment policy to address these risks.
11. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their functions and assisting us in completing ours.

We appreciate the cooperation and courtesy extended to us by the officials and employees of Watervliet Township and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

Very truly yours,

*Gerbel & Company, P.C.*  
GERBEL & COMPANY, P.C.  
Certified Public Accountants